

RECORDED TRANSCRIPT

EXTRAORDINARY GENERAL MEETING OF KIRLOSKAR BROTHERS LIMITED

- **Moderator:**

- Dear Shareholders, good afternoon and a very warm welcome to the Extraordinary General Meeting of Kirloskar Brothers Limited. through video conferencing or other audio-visual facilities. As a reminder, for the smooth conduct of the meeting, the members will be in the mute mode and audio and video will be open when they will speak at the EGM as per the pre-registration. Please note that, as per the requirements, the proceedings of the Extraordinary General Meeting will be recorded. I now hand over the proceedings to Mr. Devang Trivedi - Company Secretary of Kirloskar Brothers Limited. for opening remarks.

- **Mr. Devang Trivedi - Company Secretary, Kirloskar Brothers Limited.**

- Good afternoon all. Please note that the requisite quorum is present for this meeting. On behalf of the Board of Directors, I welcome the members to this Extraordinary General Meeting of the members of Kirloskar Brothers Limited convened pursuant to the requisition of Kirloskar Industries Limited, along with Mr. Atul Kirloskar and Mr. Rahul Kirloskar (Requisitionists), received in terms of the provisions of Section 100 of the Companies Act, 2013, read with the rules framed thereunder.
- This meeting is being conducted through video conference or other audio-visual means, in accordance with circulars issued by the Ministry of Corporate Affairs and SEBI. The deemed venue of the meeting shall be the Registered Office of the Company.
- I would like to inform that Mr. Sanjay Kirloskar – Chairman and Managing Director of the Company is not attending this meeting. In view of the same and as per the Articles of Association of the Company, the Directors present have unanimously chosen Mr. M.S. Unnikrishnan, the senior most Independent Director, to chair this meeting and Mr. Unnikrishnan has consented to chair this meeting.
- As mentioned above, members are requested to note that this meeting is being held through video conference in accordance with the Companies Act, 2013 and circulars issued by the Ministry of Corporate Affairs and SEBI. The facility for joining this meeting through video conference or other audio visual means is made available to the members on a first-come first-serve basis. The Notice of this meeting along with the annexures thereto, have already been electronically circulated to the shareholders of the Company, and is also posted on the website of the Company.
- Participation of members through video conference is being considered for the purpose of the quorum of this meeting, as per the circular issued by the Ministry of Corporate Affairs and Section 103 of the Companies Act, 2013.
- Since this meeting is being held through video conference, the facility for appointment of proxies by members is not applicable and consequently, the requirement for the inspection of the proxy register of the Company is also not applicable.

- The Company has provided a facility to the members to cast their votes electronically on the resolutions as contained in the Notice. Members who have not cast their votes electronically earlier and who are attending this meeting will have an opportunity to cast their votes during this meeting through the e-voting system provided by NSDL.
- Members are requested to refer to the Notes contained in the Notice and appearing on the video conference page; this will facilitate their participation through video conference. In case members face any difficulty, they may reach out on the helpline numbers as mentioned in the Notice.
- As you are aware, a remote E-voting option was given to the shareholders who held shares of the Company as on December 01, 2022 for their voting on the resolution placed before this meeting. This remote e-voting option was kept open for 3 days i.e. from Monday, December 05, 2022 (09:00 a.m.) to Wednesday, December 07, 2022 (05:00 p.m.). Those shareholders who have not voted by way of remote E-voting, may cast their votes on the NSDL Voting platform which is open for voting during this meeting.
- I now request Mr. M.S. Unnikrishnan to chair and conduct the proceedings of the meeting.
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Ltd:**
 - Thanks Devang. Good afternoon Ladies and Gentlemen! Welcome to this Extraordinary General Meeting called by requisition.
 - I would request all present here to please observe a moment of silence for the Late Mr. Vikram Kirloskar, who was a Director of our Company during the period 1987 to 2015.
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Ltd (After a minute of silence) :**
 - Thank you.
 - I wish to inform you that the following Directors of this Company are attending this meeting:
 - Mr. Shobinder Duggal – is an Independent Director and Chairman of the Audit Committee of our Company.
 - Mr. Shrinivas Dempo - is an Independent Director and Chairman of the Stakeholders Relationship Committee as well as the Nomination and Remuneration Committee of our Company.
 - Mr. Vivek Pendharkar - is an Independent Director and Chairman of the Corporate Social Responsibility Committee of the Company.
 - Ms. Rekha Sethi – is an Independent Director and member of the Nomination and Remuneration Committee and Corporate Social Responsibility Committee of our Company
 - Mr. Pratap Shirke - is a Non-Executive, Non-Independent Director of the Company and a member of the Audit Committee of our Company.

- Mr. Amitava Mukherjee - is an Independent Director and member of the Audit Committee and Stakeholders Relationship Committee of our Company.
- Ms. Ramni Nirula is an Independent Director and a member of the Audit Committee of our Company.
- Thank you, fellow Directors, for joining the meeting.
- Ms. Rama Kirloskar – Joint Managing Director of the Company and Mr. Alok Kirloskar – Non-Executive, Non-Independent Director of the Company are not attending this particular meeting.
- Apart from the aforementioned Directors who are attending this meeting, Mr. Chittaranjan Mate – Sr. Vice President, Finance and Chief Financial Officer of the Company is also attending the meeting.
- The Company’s Statutory Auditors – M/s Sharp & Tannan Associates, and the Company’s Secretarial Auditors – Mr. Shyamprasad Limaye are also attending this meeting.
- The Notice of this requisitioned EGM and the Company’s Statement of Material Facts annexed thereto has been electronically circulated and is already with all of you. With your permission, I take it as read. This meeting is being held pursuant to the requisition submitted by the Requisitionists to consider:
 - **1. Appointment of an independent and reputed external entity as an independent forensic auditor for conducting a forensic audit to investigate and (i) verify the expense incurred by Kirloskar Brothers Limited on legal, professional and consultancy charges over the past 6 (six) years, and the affairs of Kirloskar Brothers Limited; (ii) verify all records, books of accounts, minutes books, other documents of Kirloskar Brothers Limited and (iii) examine the conduct of the Board of Directors of Kirloskar Brothers Limited including Independent Directors.**
- The Company has received requests from two members to register themselves as speakers at this particular meeting. Accordingly, the Speakers’ session will be open for these members to speak after which I will try to respond. The moderator will facilitate this particular session.
- Now, may I request the moderator to commence the Speakers’ session.
- **Moderator:**
 - Thank you very much. Before we start the speakers’ session, here are some points to note for your convenience. Upon the request of the moderator, kindly turn on your video when you are projected on the broadcast screen. Kindly unmute yourself and proceed to speak. Please mention your name, folio, Client id and DP id number. Shareholders registered to speak are requested to be brief and specific and not to exceed a maximum of 3 minutes per speaker in view of operational constraints and to restrict their comments only to the agenda item before the meeting. Once you have spoken, you can mute your microphone. I now invite Mr. Aspi Bhesania to unmute their audio and video.

- **Mr. Aspi Bhesania – Shareholder:**
 - Sir, can you see me and hear me?
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - Yeah, we can hear you very well Aspi. Please go ahead.
- **Mr. Aspi Bhesania – Shareholder:**
 - Not see me?
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - We can see you very well and we can hear you too.
- **Mr. Aspi Bhesania – Shareholder:**
 - Okay. Sir, I'm Aspi from Mumbai. Thanks for giving me an opportunity. Sir, Item 1.1, can I also have a copy of the deed of family settlement? Has KBL Board, including Independent Directors sought any legal advice pertaining to the same? Is there anything wrong if KBL Board has sought legal advice? DFS signed by KBL. If not, KBL is not bound with the DFS. This was mentioned in Item 1.2. Sir, then Item 1.5 – loss of INR 1 crore per day must be top line and not bottom line, as per me. Sir, forensic auditors name and amount to be paid is blank. Have you appointed the forensic auditor and fixed the fees? Before the forensic auditor starts his work, recover the dues from Kirloskar Industries. I don't want our Company to pay forensic auditor fees. Why should KBL be burdened with forensic auditor's fees? Our management should ensure that forensic auditor does not pass any confidential information to our competitors. Sir, what is the cost of holding this EGM? This also should be recovered from Kirloskar Industries. Sir, how often can Kirloskar Industries demand a forensic audit? Otherwise, every year they would demand a forensic audit and harass our management. Sir, total promoter holding is 66%. Kirloskar Industries holds 25%. Sir, if balance promoters are holding 40% and the public vote against the resolution, what happens? Will the forensic auditor not be appointed? Sir, if anybody is representing Kirloskar Industries is present, or Mr. Atul Kirloskar or Mr. Rahul Kirloskar is present, can they be allowed to speak so that shareholders can take an informed decision? Sir, that was the main reason why I didn't vote and do e-voting. I would like to listen to them and only then I will do the voting after the meeting. Sir, next time when you hold physical meetings, please hold the virtual meeting also – a hybrid meeting, so that shareholders from outside Pune can also participate. Sir, thank you very much and all the best for the future. I'm sure the management is doing its best to reward the shareholders.
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - Thank you, Aspi. We will answer or we will try to answer once all the queries are raised. Moderator, you can bring in the second speaker.
- **Moderator:**
 - Thank you so much. I now invite Mr. Mahesh Chhabria to unmute his audio and video and proceed with the questions.

- **Mr. Mahesh Chhabria – Speaker on behalf of Promoter Shareholder, viz. Kirloskar Industries Ltd. (Requisitionist):**
 - Dear fellow Shareholders and the Board of Kirloskar Brothers Limited. My name is Mahesh Chhabria, client id no. IN 30302854576499, DP Id IN 302. I am the Managing Director of Kirloskar Industries Ltd. holding 1,89,88,038 shares representing 23.91% of the issued and paid up share capital of Kirloskar Brothers Limited. Knowing fully well that this resolution will be defeated by brute majority, KIL wanted to highlight serious corporate governance issues and the lack of transparency in managing the affairs of our company KBL. KIL as the largest minority shareholder feels duty bound to question the wrongdoings and protect the interest of the minority shareholders of KBL. KIL, as the minority shareholder expects the KBL board, especially the Independent Directors to do the same. I'm going to raise a few serious questions that needs answers to be provided by KBL, and I expect the Independent Directors to take cognisance and provide correct answers to the same.
 - I have about a dozen questions or concerns to raise, and I hope that I'm allowed to speak and present KIL's concerns to the shareholders, and I'm not stopped or interrupted till I finish.
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - If I may just come in, though the moderator told 3 minutes, I would request you to be as concise as possible and not very long one. You can speak all the points, we would love to hear you, but certainly take as less time as possible. It may not be 3 minutes, a little more.
- **Mr. Mahesh Chhabria – Speaker on behalf of Promoter Shareholder, viz. Kirloskar Industries Ltd. (Requisitionist):**
 - Mr. Chairman, I'll try my level best to try and adhere to what you just requested.
 - 1st - KIL is unable to fathom why an audit could not have been commissioned and why there is so much resistance to it? KBL had itself commissioned an external forensic audit in the recent past. Now that serious questions are being raised in relation to huge expenses incurred by KBL, why the reluctance to do the same again and what is the board trying to hide this time?
 - 2 - The proxy advisory firms have recommended that the resolution proposed by us should be voted against. But at the same time, they are also expecting that the KBL board acts in good faith and will claw back legal expenses from our CMD's personal wealth. Whether the KBL board will claw back these expenses and how will they do so without ascertaining the quantum?
 - 3 - The proxy advisory firm recommended that the board should address the shareholders' concern on whether the board independently ascertained that KBL must participate in this family dispute. I would like to know if the KBL board had independently ascertained this. Hasn't KIL asked for the same things raised by the proxy advisory firm in our request for a forensic audit?
 - 4 - KIL is very concerned with the expense figures given by KBL for professional, legal and consultancy expenses appearing at various places. These do not add up. First, in a press statement KBL admitted that 274 crores was incurred towards legal and professional fees over the last 7 years. They also clarified that KBL had spent 70

crores from the 274 crores towards legal expenses, and hence confirming that 204 crores was spent towards professional fees.

- Next - On page 18 and 19 of the statement of material facts attached to the EGM notice, the board categorically states that legal fees of 70 crores was incurred towards legal expenses pertaining to tax matters, labour matters, arbitrations, international projects, property documents, which are matters unconnected with the litigations with the requisitionists. However, in point 41 sub point 2 on page 29, 30, of the same statement of material facts, the board states that approximately Rs. 4 crores per year was spent over the last 7 years in relation to the legal proceedings against the requisitionists, totalling to Rs. 28 crores. These numbers don't add up and are misleading the shareholders. Is this Rs. 28 crores in addition to the Rs. 274 crores? Where did this additional Rs. 28 crores come from? Is this debited under some other head of expenditure? Are there any other expenses like these? Whether the money spent was to fight the personal battles of our Chairman & Managing Director – Mr. Sanjay Kirloskar? Has the Audit Committee and even the board taken the trouble to add these numbers? Doesn't this itself justify a forensic audit?
- 5 – Independent Directors are conscience keepers of the minority shareholders. It is indeed shocking that they chose not to appoint an independent forensic auditor. They have deliberately chosen to disregard their fiduciary responsibility and have acted against the letter and spirit of corporate governance.
- 6th – It is disturbing to see that the board has specifically recommended that the shareholders vote against this resolution. Shouldn't this decision be left to the shareholders? I wonder what would happen to the board if it is subsequently found that KBL did incur legal expenses that it was not entitled to spend. I hope that the independent directors atleast now take actions in the interest of the shareholders.
- 7th – A categorical statement has been made by KBL on oath that it suffered losses of 1 crore per day as a consequence of the so-called breach of the DFS. The numbers once again simply don't add up! Was KBL making 1 crore profit per day i.e. 365 crores annually as additional profits prior to the acquisition of La-Gajjar Machineries by Kirloskar Oil Engines? If yes, where was this profit earned and accounted for prior to the alleged breach? In my reading of KBL's annual reports for the last several years, I have not come across KBL ever making such profits. KIL would like the Audit Committee Chairman and the Audit Committee to explain these numbers. Despite the board providing lengthy explanations on the alleged breaches of the DFS, it has chosen to be completely silent on this aspect in the statement of material facts. Does the Audit Committee agree with these numbers?
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - We have been very patient. I think you should conclude now Mahesh.
- **Mr. Mahesh Chhabria – Speaker on behalf of Promoter Shareholder, viz. Kirloskar Industries Ltd. (Requisitionist):**
 - Sorry sir, I have few more points to make. And, since I have requisitioned it, I would want to complete my...
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - Some of them were already in the public domain.

- **Mr. Mahesh Chhabria – Speaker on behalf of Promoter Shareholder, viz. Kirloskar Industries Ltd. (Requisitionist):**
 - No sir. Even though it's in public domain, I wish to still make the points with your permission sir.
- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**
 - But you have to conclude very quickly, please.
- **Mr. Mahesh Chhabria – Speaker on behalf of Promoter Shareholder, viz. Kirloskar Industries Ltd. (Requisitionist):**
 - I'll try my level best, whatever it is, because I have to make my submissions any which way.
 - 8th - It is indeed surprising that the board has gone in great detail to analyse judgment on their interpretation of the DFS. Despite KBL having filed a case against 28 defendants claiming breach of the DFS, no court has till date passed any order, interim or otherwise, on the merits of the case. Therefore, the matter is clearly sub-judice and still undecided. Isn't the board aware of this?
 - 9th - Thanks to KBL uploading the DFS on their website, it is now in public domain. While a lot can be said and refuted about the incorrect interpretation of the terms of the DFS given by the KBL Board, they ought to have refrained from getting so deeply involved and prejudging the issues that are sub-judice.
 - 10th - A victim card is being played to allege some non-existent, non-complete provision has been breached by some individuals through their companies, and how KBL is suffering because of this. KBL is already in court on this point. Let the courts take the decision and provide the correct interpretation. Should one sit in judgment themselves and circumvent the judicial process?
 - 11th - KBL and our CMD keep making repeated public statements, including on oath before courts, that KBL has taken the DFS on record and that it is bound by it. These statements are factually incorrect and misleading. For the DFS to be taken on record, it ought to have been placed before the shareholders and the Memorandum and Articles suitably amended. Why was the DFS not taken on record immediately after execution? Why did the KBL board wait for 7 years after the DFS was signed and that too only after disputes arose between the family members? This itself raises serious questions on the intent and motive. Moreover, the KBL Board has taken DFS on record under Section 58(2) of the Companies Act, to prevent transfer of shares. The Company has taken no cognisance of the DFS since the Articles have not been amended. I have asked our Company and the CMD therefore to stop making these misleading statements. Have the Independent Directors examined the manner in which this entire episode has played out? Why does KBL keep mentioning the DFS? Is it a cover to justify expenses of a personal nature? This was one of the points that KIL wanted the forensic auditor to examine.
 - 12th - The conduct of the board is not transparent and raises serious concerns about their fiduciary responsibilities and upholding governance standards. As the largest minority shareholder, KIL feels it is our duty to make the board accountable to all stakeholders rather than allowing KBL to be run as per the whims of its

Chairman and Managing Director. Our CMD ought to uphold the Kirloskar legacy of protecting minority shareholder rights. I hope good sense prevails and he takes the legacy forward. Thank you.

- **Mr. M.S. Unnikrishnan - Independent Director and Chairman of the Meeting, Kirloskar Brothers Limited:**

- Thanks a lot Mahesh and Aspi for your suggestions/comments. You can also see the kind of level of governance practice followed by your Company. Based on your requisition we have organised an EOGM. Second most prudent practice, the Chairman and Managing Director excused himself from chairing the meeting. And, we have heard you; every point that you had is already heard by the entire Board of Directors, Independent Directors of the Company.
- The management has already sent their statement of material facts at length, which is available to all the shareholders and the specific need of the meeting was to vote against or for the resolution. I'm sure the shareholders who were present and the board has heard you. And, as per the process that we need to be following, we will now request... the speakers are over. Only two of them were there.
- My advice to the shareholders now as the Chairman of the meeting is, members attending this meeting who have not cast their votes through remote e-voting, are requested to cast their votes now. The Board of Directors has appointed Mr. Shyamprasad Limaye, Practicing Company Secretary as a scrutiniser to the e-voting process. The result of the voting will be declared and placed on the website of the company as per the applicable statutory provisions. I hereby authorise the Company Secretary to receive, countersign the Scrutiniser's Report, declare the result of the e-voting and submit the report to the stock exchanges. The voting facility will be open for the next 30 minutes and the meeting shall stand concluded after the voting period of 30 minutes is over.
- One last comment to the shareholders attending over here. That your Company practices the highest levels of governance, and the Independent Directors who are on the boards of various well-known companies in this country have, till today, and will continue to be practicing the highest governance levels, which is also represented by the overall share market and how it is performing. And we are rated fairly high for our corporate governance practices. This is not an answer for what Mr. Chhabria has asked for, but it would be incomplete on my part to chair this meeting without reconfirming on behalf of my fellow Directors, who are eminent personalities of this country and have extremely high experience in participating in the board governance practice of the country. So let me thank each of my fellow directors who participated and has taken the time out to attend this meeting. I thank all the shareholders also who attended this meeting. With this, we are concluding the EOGM. Thanks everybody once again.

– **END OF MEETING/E-VOTING PROCESS BEGINS**